श्री बी०एस० रामूवालियाः सर, मैं हाऊस का टाइम बचाते हुए यह कह सकता हूं कि अभी मेरे पास लीगल आपिनियन है। अभी मेरे से कोई वादा मत लें। मैं खुद चलकर इनके घर जाऊंगा। जो ईलाज, राय इनकी निकलेगी, जायज देखेंगे, मगर जो नहीं हो सकता उसे मत कहना...**(व्यवधान)**...

श्री सुरिन्दर कुमार सिंगलाः सर, सी०बी०आई० इन्क्वायरी के बारे में नहीं बताया...**(व्यवधान)**...

THE VICE-CHAIRMAN (SHRI MD. SALIM) Mr. Singla, please sit down. Otherwise, nothing will go on record.

SHRI SURINDER KUMAR SINGLA: My question is simple. Will he accede to a CBI inquiry? (...*(Interruptions)*. Let him reply. He is nor ready to reply. *(Interruptions)*

THE VICE-CHAIRMAN (SHRI MD. SALIM): Mr. Singla, please take your seat. *(Interruptions)*Please take your seat first. *(Interruptions)*

SHRI SURINDER KUMAR SINGLA: Has he answers to any of my questions? Not a single.*(Interruptions)*

THE VICE-CHAIRMAN (SHRI MD. SALIM): Mr. Singla, please sit down. *(Interruptions)*

उपसभाध्यक्ष (श्री मोहम्मद सलीम): वह पूछ रहे हैं कि आप सी०बी०आई० इन्क्वायरी मान रहे हैं? मान रहे हैं या नहीं?

श्री बी०एस० रामूवालियाः मैं सी०बी०आई० इन्क्वायरी नहीं मान रहा।

श्री सुरिन्दर कुमार सिंगलाः यहां तो मैं पूछ रहा हूं कि आप क्यों नहीं मान रहे?...**(व्यवधान)**...

श्री सतीश अग्रवालः यह पूछ रहे हैं कि क्यों नहीं मान रहे। आप कह दीजिएगा कि मेरी मर्जी। ...**(व्यवधान)**...

उपसभाध्यक्ष (श्री मोहम्मद सलीम): मिस्टर फाइनेन्स मिनिस्टर। हम लोगों ने जो बजट की बहस कनक्लयूड की थी, उसका रेप्लाई होना था। अभी मंत्री महोदय उस पूरी बजट की बहस् का रेप्लाई देंगे।

Mr. Finance Minister, you have to reply on the Budget discussion.

THE BUDGET (GENERAL 1996-97 *(contd.)*

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Mr. Vice-Chairman, Sir, I am grateful to the hon. Members who have participated in the debate and given their valuable suggestions on the proposals made in my Budget speech. Sir, I sat through eight hours of the debate. I amy sorry, I could not sit through the debate when the first speakers were on their legs, particularly Mr. Satish Agarwal, for which I apologise because I had some duty in the other House. But eight hours of education in this House has been very useful and I am deeply grateful to the hon. Members.

I shall take this opportunity to explain the philosophy behind the Budget, the state of the economy, and why I think the steps that we have taken would take our economy forward, take our country forward.

There are, of course, specific issues relating to the Finance Bill. But in view of the paucity of time, I had to, in the Lok Sabha, confine my reply to the Budget only to the general issues and reserve my reply on taxation proposals to the debate on the Finance Bill. Since I have not replied on tax matters in the Lok Sabha, I think it would be inappropriate for me to respond to specific tax proposals in this House. But during the course of my reply, I would try to convince hon. Members that I had carefully noted their suggestions, that I am responsive and would try to accommodate as many of the suggestions, as I find, are acceptable.

Sir, firstly, about reforms. There is a lot of debate. Five years down the road, there is a debate about the need for reforms. The previous Government introduced these reforms in 1991. I was a part of that Government in two spells. I was an ardent supporter of reforms. I remain an ardent supporter of reforms. I now belong to another Government formed by

thirteen political parties which have, even in the first days of the Government, declared their commitment to reforms, while, at the same time, declared their intention to address some other concerns which, they felt, had been inadequately addressed in the previous five years.

For our Government, today is a special day. Today marks the one hundred years of this Government. I am glad that I am replying on the hundredth day. Now, why reforms? I am not here to second-guess the founding fathers of this country. I am not here to second-guess or criticise those who had embarked upon the course of economic policy which they thought was right.

In the 50's, 60's and 70's, India's GDP grew only by 3.5 per cent. In a period of thirty years, the GDP in this country grew by not more than 3.5 per cent. In 1951, the First Plan document declared that it was our intention that in thirty years, India's *per capita* income would double. thirty years later, in 1981, we found that India's *per capita* income increased only by 50 per cent.

It is in the 80's, Sir, for the first time, that India's GDP increased between 5 and 5.5 per cent. Again, it is, for the first time, in the 90's, that we have been able to achieve, in the first four years of this Plan, a GDP growth of 5.9 per cent. For the last three years, we have been able to achieve more than 6 per cent; we have been able to touch and go beyond 6 per cent. Last year, the GDP grew by 7 per cent.

What does this mean for the future? Let me put it in a language which I understand. I am sure everyone in this House would also understand. If our GDP grows by 5.5 per cent, between 5 and 5.5 per cent, during the next twenty-five years, India's *per capita* income would double by the year 2025. But if, as we devoutly wish, our GDP grows by 7.5 per cent, India's *per capita* income would increase by four times during the next twenty-five years. The difference between remaining a backward, developing, largely poor, country which is unable to meet the basic minimum needs of millions of people, and becoming a moderately developed country, with a satisfactory *per capita* income, which could meet the basic minimum needs, is the difference between a 5.5 per cent growth rate and 7.5 per cent growth rate. The choice is ours. The choice is entirely ours to decide whether we will opt for low growth or opt for high growth. Twenty or thirty years ago, I believe, we did not have the tools or instruments to banish poverty. Today, Sir, I believe that if a country remains poor, it is because of poverty of leadership, poverty of ideas, poverty of implementation and poverty of will. We can banish poverty. We can banish the abject poverty that this country has known for five thousand years, but in order to do so we must reaffirm our commitment to get on and remain on a high-growth path, and that means a growth of over seven per cent for the next 25 years, as the CMP declares it is the intention of this Government.

But are we not concerned about social justice? Yes, we are, and no one can be more concerned than I am. Having been part of the previous Government in two spells and part of this Government and having co-authored the CMP, I am passionately committed to addressing the concerns of social justice. I also know the political price that we will pay if we do not address the concerns of social justice. But it is growth which will give us the capacity to address the concerns of social justice. As I will demonstrate in the course of my reply, it is the growth of seven per cent last year which has given us the financial capacity to allocate more for rural development, to allocate more for social services, to allocate, in an unprecedented manner, Rs. 2,466 crores to the States, not to the Departments of the Central Government but to the States, to deal with seven basic minimum services. The more there is growth, the greater is the capacity of the country to

allocate resources for the very poor. This, I believe, Sir, is a justification for following a policy which encourages high growth and which enables one to address concerns of social justice.

Sir, there is also a debate about the role of the State and the role of the private sector. I believe this is another partially sterile debate, but since these issues come up again and again, I think I should deal with them briefly. No one will diminish the role of the State, and it is nobody's argument that the State will withdraw or the State will wither away. That is not the argument. The point that we have tried to make is, there are some areas where the State alone will make the investment, the State alone can provide the investment. There are some goods and services which can only be delivered by the State. Defence, law and order and justice delivery—who can take over? Nobody can take over except the State. Nobody can take over from the State. It is the State which has to provide these goods and services. There are some other areas where the State must provide leadership. Take, for example, public investment of irrigation. As we neglect irrigation, we will pay a very heavy price. As I said in my Budget speech, last year agricultural crop production increased only by 0.9 per cent, and that is something which must make us all sit up and ask ourselves, why did this happen?

Last year's growth of seven per cent was industry-led. If agriculture had performed at a satisfactory rate, last year's GDP would have increased by eight per cent, but since agricultural production was sluggish and within the agriculture sector agricultural crop production registered a very low rate of 0.9 per cent, we could only register a growth of seven per cent. Now one of the things we find is that there are many, many projects, particularly irrigation projects, which are lagging behind for want of money. Who will make this investment? I have no doubt in my mind that it is the State which must make this investment. It is possible to invent special purpose vehicles which can mobilise resources and supplement the investment, but that will never be a substitute for State investment. Investment in education, investment in public health, investment in irrigation, investment in roads, investment in ports, investment in infrastructure etc. must be made by the State, and this Government once again reaffirms its commitment that it will make a massive public investment in these areas. If other players in the economy supplement this investment, we will welcome it. For example, today we can privatise a number of facilities in ports. There is no harm in that. As long as the port is held by the State, if some facilities are to be privatised or if some facilities are to be provided by private operators, there is no harm in that. What has happened to our airlines? The State provides the leadership, but the private airlines supplement those services. What is the harm? As regards power, the State makes the investment, and the private sector supplements it. What is wrong with that? Even in long roads, the State will continue to make investment, and I have provided this year Rs. 200 crores. Never before did we provide such a large amount to the National Highways Authority of India. But, we intend to bring in the private sector also in building roads in this country under either BOT or BOO, and that is good.

As far as the recipient of the service is concerned, for the person in the village, who has to run his motor, who has to light his home, it does not really matter whether the electricity is public generated electricity or private generated electricity. His complaint is that he does not get electricity. His complaint is that there is no road connecting his village to the town or the town to the city. His complaint is that there is no adequate service. So, I think, in most of these areas, the State will provide the leadership, and the private sector will supplement it.

But there are some other areas where the State has performed very poorly. The

record shows that the State is simply incapable of running some industries, some kinds of industries. There, I believe, it is much better to allow the private sector to come in. That is what the CMP recognises. The CMP recognises that all monopolies are suspect, not that all monopolies are bad but that all monopolies are suspect and that every monopoly must be justified. There is room for co-existence and competition between the private sector and the public sector. We must attract investment. The bulk of the investible resources will indeed come from within India, but at the margin we must welcome foreign investment either in the form of equity or in the form of portfolio investment and we must create in this country a hospitable climate to attract foreign investment.

This is the philosophy which has informed this Budget. This is the philosophy which will incourage us to go on the high growth path.

At the same time, many pages in the Budget are devoted to address the concerns of social justice, particularly education, health care, drinking water, roads, the public distribution system, the midday meals programme etc.

I also wish to draw your attention to the fact that we have not abandoned any programmes just because they were launched by the previous Governments. There are programmes launched during the days of Smt. Indira Gandhi, Shri Rajiv Gandhi and, of course, the immediate previous Government. We have not abandoned any of these programmes, whatever has been nationally accepted. Today I believe the Jawahar Rozgar Yojana, the Indira Awas Yojana, the Prime Minister's Rozgar Yojana, the Mid-Day Meal Scheme, the National Social Security Assistance Programme etc. have all been nationally accepted. Many, many MPs, irrespective of their party affiliations, have come and told me that more allocations must be made for these programmes. This Government has not banished those programmes, has not abandoned those programmes. On the contrary, I will demonstrate that we have made larger allocations for these programmes because they have been nationally accepted. There may be a difference on how the programmes are implemented. There is, in my mind, a great deal of reservation on the way we deliver. For example, take rural credit. Now, what is the recovery under the IRDP? The recovery under the IRDP is 30 per cent. If the recovery under the IRDP is 30 per cent, how do you motivate banks to lend? Therefore, we must take a second look at these programmes. We must review them. Maybe we have too many disjointed programmes. Maybe we must aggregate them into job-creating programmes, asset-creating programmes and skill-enhancing programmes. I threw this idea before a meeting of bankers. The bankers accepted it. We have formed a small committee under the Reserve Bank to suggest ways in which these programmes can be aggregated, so that there is no waste, there is no leakage and there is no inefficiency, but the broad thrust is higher growth and more allocation for social justice. It is combining growth and social justice in the right proportions; it is combining reforms and restraint in the right proportions. That is the philosophy of the Budget.

Sir, the hon. Member, Shri Satish Agarwal, raised some very pertinent questions about the way the figures were presented in the Budget. I have great respect for him, particularly in the light of the great experience that he has gained both in the Finance Ministry and otherwise as a very vigilant observer and critic of successive Budgets. My answer is very simple: I have followed the same practice that has been followed throughout these years. For example, in 1991-92, the regular Budget was presented by Dr. Manmohan Singh on 24th July, 1991. He used the same revised estimate numbers as were used in the interim Budget presented on 4th March, 1991 by Yashwant Sinha. Similarly, in 19[illegible]

interim Budget was presented on 11th March, 1980 by Shri R. Venkataraman. The regular Budget was presented by Shri R. Venkataraman on 18th June, 1980. He used the same revised estimate figures. I asked them, why we cannot revise the revised estimates. That is what you are asking. Well, revision of the revised estimate brings about, I am told, a very marginal change; and the benefit that you get out of such a marginal improvement is not comensurate with the work that goes into revising the revised estimates. if the actuals had been available, then, perhaps, there is an argument, why we did not use the actuals. But, during the time when the Budget estimates were prepared and the printing was done, the actuals were not available. Therefore, it was consistent with the past practice going back to 1977-78. The interim Budget on 28th March, 1977 was presented by Shri H.M. Patel, the regular Budget was also presented by Shri H.M. Patel on 17th June, 1977 and he used the same revised estimate of the interim Budget. So, between the interim Budget and the regular Budget, there has been no pattern of revising the revised estimates. Therefore, what I have done, adopting the revised estimates of the interim Budget of Dr. Manmohan Singh, is consistent with the past practice; at least with the three examples that are available in the past.

Sir, I have highlighted in the Budget the main challenges that face our economy. I would like to deal with them briefly before I come to the current economic scenario.

Firstly, Sir, I come to the fiscal deficit. We all are agreed that the fiscal deficit must be brought down. The C.M.P. says that our intention is to bring it down to below 4 per cent. The previous Government also declared that it was their goal to bring it down to 3 per cent. The previous Governmment started with about 8.5 per cent. In the last year fiscal deficit, as compared to actual figures, turned out to be 5.7 per cent. That is a substantial correction, but every knowledgeable critic says that it is not adequate and this country must, therefore move faster on the rate of fiscal deficit correction, if it can bring about macro-economic stability. I have proposed that we keep the fiscal deficit this year to 5 per cent. Now, 5 per cent is Rs. 62,266 crores. It has to be financed. It is by and large financed by market borrowings. To the extent that the market will not take up our debt instruments, it devolves upon the Reserve Bank of India. All managers of fiscal deficit have this dilemma. How do you balance interest rates and inflation? If we monetise the fiscal deficit too much, the inflation rate tends to go up; but interest rates may be kept down. If we monetise the fiscal deficit too little, then inflation rates may go down; but interest rates go up. This is the dilemma of the manager. We have to walk this fine line. We cannot have high interest rates. Nor can we have high inflation. Both hurt the economy. High inflation rate, as said in layman's language, is the cruellest form of taxation. It taxes the rich and the poor alike. We must keep down inflation because it is the poor, it is those who have regular incomes, those who have fixed incomes, who are affected by high inflation. The *rentier* really profits out of high inflation. But the one who has to labour every day for his wage remains more or less fixed. He is hurt by high inflation. We cannot allow high inflation. At the same time, we cannot have high interest rates either. Look at what the industry tells us every day. High interest rates are hurting them. At this kind of interest rates, they say, they cannot be competitive, they cannot produce for the world market where they have to sell their products. High interest rates are a long-time problem in this country. Interest rates have been traditionally high. We have high inflation. Then the real interest is built on the inflation rate. And then there is the transaction cost of our lending institutions. But if we are able to contain inflation and if we are able to contain the

transaction costs of lending institutions, we should be able to bring down interest rates. I think it will be completely inappropriate for the Government to direct either the RBI or the banks to bring down interest rates. After all, they have to show a healthy bottom line. But it is my effort to persuade the banks to bring down interest rates. One of our term-lending institutions did bring down the prime lending rate. The State Bank has brought down the prime lending rate by half a per cent. Some banks are reluctant to follow suit. But I would be happy if banks can bring down the high interest rates. In fact, I asked industry, "Why are you complaining? After all, from 1988 to 1994, during that six-year period also, you had high interest rates." "We had high interest rates during that period. But we also had high inflation. Therefore, the real interest was slightly lower. Today, the real interest rate appears to be high. The industry is losing its competitive edge." It is our effort to keep our interest rates low to keep inflation low. But as I said, this is a fine balance one has to maintain. No one, no economist, I find, has found an equation by which he can relate interest and inflation and the monetisation of fiscal deficit. But I assure this House that it is our intention to keep inflation down, it is our intention to try to bring down interest rates as far as possible.

Managing inflation is extremely important because, as I said, that is what hurts people most. We have taken a number of steps or we will take a number of steps to contain inflation. The first step is what I have indicated. It is by reducing the fiscal deficit to five per cent and keeping the money supply to below 16 per cent. Secondly, I have reduced customs duties across a wide range of products and all of us are aware that imports have a price restraining effect. Thirdly, we have lowered customs duties on a number of essential commodities like edible oil.

SHRIMATI MARGARET ALVE (Karnataka): Can I put one question to the Finance Minister? They are reducing customs duties on many items. One of the items which is very badly hit in the country—I raised it in the morning also—is newsprint.

SHRI P. CHIDAMBARAM: I will deal with it.

SHRIMATI MARGARET ALVA: All our factories, even in my State, are closing down because of this.

I will deal with these items later. I have not increased the excise duties. By and large, excise duties have been brought down. In a large number of goods of mass consumption, even earlier, the excise duties have been reduced to zero. We had added five or six products for excise duties which are reduced to zero. The last is the continuing exercise of keeping the supply side going. It is very important that we ensure that supplies of wage goods, agricultural goods and agricultural products are not disrupted. We must ensure that the supply side is not disrupted. We are watching the situation very carefully. Thanks to the petrol price increase, inflation has gone up by about 1.2 per cent. But that was inevitable. There was no way in which we could have avoided the petrol price increase. Please see what has happened in the last week. The petrol prices have gone up even further and I have got some information which is of some concern to me and I will share it with you in a moment. If we had not made that correction in petrol prices and if petrol prices were to harden as they seem to have hardened in the last week, we would have been in a greater soup. Therefore, there was no option except to correct the petrol prices. Whatever our political affiliations are, everyone privately, in his own heart, knows that the petrol price correction was overdue and any Government would have done that. And I know for a fact that my friend, Mr. Jaswant Singh, if he had continued in this office for long, would have done the same thing. I think we did it at the right time. In fact, there is some concerned on

the oil front. Production this year is estimated to be slightly lower than what was projected three months ago and the oil import bill, I am told, is likely to rise to about nine billion dollers, whereas we have only provided at the beginning of the year about 7.6 billion dollars. We thought Iraq oil would come. But contrary to our expectations that Iraq oil will flow into the market, thing have taken a turn for the worse and maybe, Iraq oil will not come into the market. So, there is some conern on the oil front. Therefor, we must be very careful. There is no place for sentiments in this matter because we are a net oil importer. Our dependency on imported oil is increasing. Consumption is increasing faster than domestic production. Consumption of diesel is rising faster than consumption of all petroleum products. But I think and I have tried to impress upon my colleague in the Petroleum Ministry that we must put into place quickly a measure of conservation. We must find ways and means by which we must restrain the consumption of petroleum products. Given our trade levels, given our capacity to earn foreign exchage, we cannot afford such a large petrol bill. These are some concerns which are worrying me. But the point I am trying to make is that the petroleum prices correction was long overdue, was done in time. It has caused an increase in inflation of 1.2 per cent. But I do hope it will level off.

The other thing which is putting pressure is wheat prices. I believe a freak weather condition in early March affected wheat production. Therefore, wheat production seems to have come down from the earlier estimates of 1.5 million tonnes. The reduction may be a little more than 1.5 million tonnes. It may be even 2 million tonnes. We are now offloading more of FCI's stocks—one of the reasons why the FCI's stock are slightly lower than last year. But our stock position is still comfortable. These are the two areas which are causing some concern. Otherwise, the supply side will be maintained. We will watch the situation carefully. We will take steps to see that supplies are not interrupted, that domestic production keeps going and that imports, wherever they are necessary, are done so that people are not affected by high prices.

Sir, I have mentioned about giving an impetus to agriculture, to industry. The single most important input for higher production is credit and I wish to share with the hon. Members the steps that we have taken in the Budget and otherwise to enhance credit. For example, Sir, for agriculture, in 1995-96 in regard to credit flow of agriculture, for production credit we have provided Rs. 16,886 crores; this year we hope to provide Rs. 21,006 crores. For investment credit, last year we provided Rs. 7,963 crores.; this year we hope to provide Rs. 10,467 crores. So, the total credit flow of agriculture will be, as against last year's Rs. 24,849 crores, Rs. 31,473 crores this year, which means an increase of 27 per cent. Similarly, NABARD refinance will also increase from a total of about Rs. 8,382 crores last year to Rs. 8,560 crores this year. Every agency, Sir, cooperative banks, RRBs, commercial banks, have all been asked to provide more credit. I do not want to get into those figures, but more credit will be provided to agriculture this year. The annual rate of growth in commefcial bank credit to the non-food commercial sector has remained higher than 20 per cent so far, and that is a good sign. This we have done without taking money supply to more than 16 per cent. While observing the self-imposed restraint of a 16 per cent money supply growth, the commercial banks sector has been able to provide 20 per cent higher non-food credit to the non-food sector. I have also provided Rs. 200 crores for restructuring and recapitalising the regional rural banks. We have deregulated the interest rates of regional rural banks; both management and employees have welcomed this. This was overdue. There was no purpose in asking the regional rural banks alone to lend at rates which were clearly un-

economical and unviable. They have been asked to lend subject, of course, to the discipline of priority sector lending of 40 per cent. We have taken a number of measures to strengthen the SIDBI. I explained this is my Budget Speech and I have a note which says: "All of those measures have been implemented by SIDBI. All the three initiatives mentioned there have been done by SIDBI. We will ensure that adequate credit flows to agriculture and industry and we will ensure that the supply side is maintained."

Next, Sir, I turn to the issue of managing the balance of payments. Sir, the total stock of external debt which rose to 99 billion dollars in March, 1995 has fallen to 93.8 billion dollars by September, 1995. The Figures for March, 1996 will be available shortly. Now the 5.1 billion dollar improvement is attributable to 1.7 billion dollars' repayment and 3.4 billion dollars due to exchange rate. The management of the external debt, I must say, has been exemplary in the last few years. These are indicated by two well-know ratios—the stock of external debt as a ratio to GDP which touched a peak of 41 per cent in March, 1992 came down to 29 per cent in September, 1995; the second indicator in the debt-service ratio which touched a peak of 35 per cent in 1990-91 and which came down to 26 per cent in 1995-96.

These are two well-known indicators. Everyone will agree that these indicators show that we have managed our external debt well. We have been able to generate exports and foreign exchange earnings to service our debt. In the current year there are some special features. In the current year we expect the deficit on the current account on the balance of payments to be around seven billion dollars, that is about 2% of the GDP. That, I have been advised by all quarters, is manageable. There is nothing to fear, nothing to worry about the 2% current account deficit. However, repayments on the capital account will be high this year, touching almost 10 billion dollars, because of bunching of maturing obligations of past debt on account of external assistance, IMF loans, rupee debt to Russia and external commercial borrowings. It is high also because this year we will have to redeem 2.2 billion dollars of the India Development Bonds which we issued five years ago. We have carefully considered what we should do with the India Development Bonds and we have taken a decision which I announced in the Lok Sabha three days ago, that we will redeem in full the India Development bonds on the due dates. There was some speculation that we may role over the Bonds, but we have decided that we will not roll over the Bonds and we will redeem them in full. I say this with a sense of pride. It is the confidence in our ability to manage the external account and it is the confidence in our foreign exchange reserves which have prompted us to take a decision that we will redeem all the Bonds on the due dates. However, we need to meet the seven billion dollars on the current account and the ten billion dollars on the capital account. We need a large amount of foreign exchange inflows. Our reserves today are 17 billion dollars, In fact, the reserves have gone up to 17.8 billion dollars. Since the 1st of April the reserves have gone up by 800 million dollars. Last year we had 20 billion dollars and we could run down our reserves. Since we were in a comfortable level we could run down our reserves. There were good economic reasons for running down our reserves. Imports were unusually high. We finance these imports by running down our reserves. It also helped to keep M3 growth in check. But this year we cannot afford to run down our reserves. I made it very clear to all our authorities that we cannot run down our reserves this year below 17 billion dollars. We have estimated that the external assistance and the commercial borrowings will be of the order of nine billion dollars. Another half-a-billion dollars will come as NRI deposits. Therefore, we must find ways and means to attract 7½

billion dollars. These will come as FDI, FII and GDR. When we wrote the CMP it was not done in a vacuum. We knew that this year the financial requirements would be unusually high. That is why the CMP aims at 10 billion dollars FDI, not that we will achieve 10 billion dollars this year. But we must attract 7½ billion dollars of forex flows into this country as FDI, FII and GDR. I am confident that we will achieve these targets. Despite the market being sluggish I am confident that there would be adequate FDI and FII flows and our companies will be able to raise monies in the GDR market to bring in 7.5 billion dollars. In the first four months of this year FII flows have been 1½ billion dollars and we need to get 3 billion dollars of FII flow this year. I am also confident that we will get 3 billion dollars of FDI flow this year. I am also confident that our companies will be able to raise 1½ billion dollars in the GDR market. I am confident that we will be able to manage our external accounts this years. But all this will happen only if we keep the climate in this country hospitable to foreign investment.

It is not a matter of ideology. It is simply a matter of managing the external account and finding the finances to keep our economy going for investment, for imports, for import of capital goods, for import of essential commodities like edible oil, for import of raw materials. A country which attracts three billion dollars of FDI ought to fear nothing. There is nothing to fear. In the first six months of the current calendar year, China has attracted 21 billion dollars of FDI.

SHRI K.R. MALKANI (Delhi): It comes from overseas Chinese. It does not come from America.

SHRI P. CHIDAMBARAM: Most of the overseas Chinese are also American citizens. Many overseas Chinese are American citizens. The point is, foreign money is foreign money. If it comes for production, if it comes for investment, if it comes for exports, it is good. If it comes for investment in the infrastructure and core sector, it is good. It is only someone who utterly lacks confidence in his ability to manage himself and manage this country, who will fear three billion dollars of foreign investment. I don't lack that confidence, nor does this Government lack that confidence. We feel that we will be able to attract investment into the core and infrastructure sector and for production. That is why a conscious decision has been taken. I think this has sent the right signal across the globe that this country has a capacity to absorb 10 billion dollars of foreign investment. I would only urge that we should say nothing and do nothing which will create fears in the minds of investors. There are NRIs. Many NRIs are Indian citizens and many NRIs are not Indian citizens. If they bring their money into this country, we must create a hospitable climate for them. If people want to come and invest and set up production bases in this country to make goods for the whole world, we must create a hospitable climate for them. Nobody is going to come here if we seem to swing from one end to another end of ideological spectrum and create uncertainty for them. We ought not to create uncertainty for them. Please remember that a large number of Indian companies are investing abroad. I can give you a list of Indian companies which have set up manufacturing facilities abroad. Go to China. You will find that Ranbaxy has set up a modern factory there. If you go to America, I will show you Indian companies which have production facilities there. Companies in India are buying up facilities in the former eastern parts of Germany. One of our companies has got a steel mill in Ireland in competition with a British bidder. Don't underestimate the capacity of Indians to become global players, the capacity of Indians to become MNCs. We should welcome foreigners to invest in India. Investment is useful for the country. It creates jobs. It creates incomes. It generates money. It generates exports and enhances foreign exchange. I think

this obsession...

SHRI PRAKASH YASHWANT AMBEDKAR: Will the Minister yield for a moment? I would like to know from the Minister what he is going to do to tackle the money that is laundered outside the country.

SHRI P. CHIDAMBARAM: That is a separate issue. We will deal with this issue at an appropriate time. What has laundered money got to do with direct foreign investment?

SHRI PRAKASH YASHWANT AMBEDKAR (Nominated): Sir,...

SHRI P. CHIDAMBARAM: Why should you assume that NRIs have laundered money? I think we can manage the external account. But we must create a hospitable climate here. I think we are creating such a climate here. I urge upon the hon. Members and all sections of the House to help us create a climate in this country which will attract an adequate amount of foreign investment, both equity and portfolio, which will help to finance the needs of India's economy.

Now I turn to resource mobilisation. There was some debate in the last week about savings. I also intervened. I maintain that India's private savings, household savings remain quite high. Where we have failed is in having enough public savings. Some figures are with me. In 1994-95, private savings in India were 22.7 per cent. It compares well with the private savings of Indonesia, Thailand, Malaysia and Japan. Some of the figures of these countries are a little outdated. But even allowing a three or four per cent increase, it still compares will. Private savings in this country have ranged between 14 to 20 per cent. Our private savings, our household savings are quite high. We have failed in our public savings. We cannot adopt an ostrich-like attitude. We must face the truth. The truth is that public sector and that includes the Government, dis-saves in this country. It saves only marginally. In 1994-95, our public saving was 1.7 per cent. Compare this with Indonesia where it was 7.7 per cent during 1981-88; Thailand, 8.6 per cent in 1986-87; Malaysia, 10.3 per cent during 1981-90 and Japan, 5.1 per cent during 1981-88. We must make our public sector save. That means, they must earn a return. They must give a return on equity to the Government. I announced a set of measures which were called austerity measures. One of the elements was that public sector must give adequate returns to the Government. What is wrong with that? As a result of that, you will find that this year the public sector of this country has put up a notice that it must earn more for the Government and it will return more for the Government than last year. We cannot have a public sector which returns between two and three per cent on the equity that is invested there. The equity that has been invested runs into hundreds of thousands of crores of rupees. The stock of that equity today has been valued by some people at—five hundred thousand crores of rupees. We will deal with the other issues of dis-investment or continuing to keep it in the public sector separately. These are separate issues. As long as it remains a productive enterprise, should it not return more? Should it not generate, provide and return more? ...(*Interruptions*)...

SHRI JIBON ROY (West Bengal): Have you tried?

SHRI P. CHIDAMBARAM: We have tried and every successive Government has tried. If anybody has a magic formula, I am willing to listen to him...(*Interruptions*)...

SHRI JIBON ROY: In the last five years, no investment was made.

SHRI P. CHIDAMBARAM: That is not correct. The figures disprove that. I will show from my Budget statement how much I have given to the public sector this year. We can go through the ideological debate and you will find that I respond to your ideological concerns much more than what you think I will

respond. But as long as it is a productive enterprise, as long as it is producing goods and services, can it afford to dissave? Can it show a negative return on the investment made year after year after year? My submission is that it cannot. It ought not to be allowed to do that. It must save, it must return.

SHRI ASHOK MITRA (West Bengal): I would like to put a small question. It is regarding the import petroleum products and the spending on it. Don't you think it is a little odd that, while urging conservation of petroleum products, at the same time you are encouraging automobile production? I want a candid answer from you. The second thing is about public savings. You are talking of public savings. One important instrument of raising public savings is to raise the level of public taxation.

SHRI P. CHIDAMBARAM: I am coming to that. Let me deal with taxation first...(*Interruptions*)...

DR. BIPLAB DASGUPTA (West Bengal): On the savings issue, you mentioned an important point. You said that public savings in our country are very low and private savings compare quite favourably with the savings of the South East Asian countries. Geographically, the countries you mentioned are South East Asian countries. You have not mentioned South Korea, Taiwan, Hong Kong and Singapore. Their saving rate is much higher than that of India's. Apart from that, I was somewhat puzzled with the figures you mentioned regarding Thailand. In 1994, the Gross Domestic Saving was 35 per cent which includes both public and private savings. Do you have a break-up of these figures?

SHRI P. CHIDAMBARAM: I told you that the figures may be slightly out-dated...(*Interruptions*)...

DR. BIPLAB DASGUPTA: Even if you deduct 10 per cent, it would come to 25 per cent. I do not agree with the statement that private saving in India is much higher, when compared to some other countries. Please check your figures.

SHRI P. CHIDAMBARAM: I still say that if Thailand has a private saving of 25 per cent, our private saving which was 22.7 per cent in 1994-95 compares favourably...(*Interruptions*)...

DR. BIPLAB DASGUPTA: You have just mentioned that your figures may be out-dated. In any case, I would like to say that our investment as against our GDP is very low...(*Interruptions*)...

SHRI G. SWAMINATHAN (Tamil Nadu): I don't understand why our Finance Minister should give out-dated figures. He should give current figures.

SHRI P. CHIDAMBRAM: I am not saying out-dated in the sense that deliberately I brought the out-dated figures.

SHRI G. SWAMINATHAN: One Member is questioning your figures. I do not know what the problem is.

DR. BIPLAB DASGUPTA: What I am saying is that our investment figures, even now, come nowhere near the investment figures of those countries. The saving figures of some of these countries exceed the investment figures.

SHRI P. CHIDAMBARAM: Okay. Take Thailand. I gave, as I said, the earlier figures. Their private savings are 14.6 per cent and their public savings are 8.6 per cent. So, the total savings add to about 23 per cent. I will accept my learned friend's argument that today, maybe, their total savings are about 35 per cent. I will even accept his argument that their public sector saves about 10 per cent and that their private sector saves 25 per cent. I am saying that our 22.7 per cent of private savings compare very favourably with our public savings. Remember that the issue is our private savings compared to our public savings.

DR. BIPLAB DASGUPTA: On that, I agree.

THE VICE-CHAIRMAN (SHRI MD. SALIM): We cannot have a debate now. Allow him to speak.

SHRI P. CHIDAMBARAM: Our private savings compared to our public savings is where the problem lies. In those countries, private savings are high, public savings are high and, therefore, their total savings are high. In a country which is, by and large, composed of poor people, 22.7 per cent of private savings, I believe, is quite high. Let me assume, for the sake of argument, that we can raise it to 25 per cent. But the issue that I am posing is this. Should not public savings be higher? Can we afford to have public savings of two to three per cent? That is the issue. Let us not run away from that issue by diverting it to the so-called low private savings. The issue is that our public sector must save more. The Government and the public sector cannot dissave. In fact, in one of the last five years, they have dissaved. They have never saved beyond two to three per cent. I think that the message must go to all our public sector managers that they must become more productive, more competitive and more efficient. They must give a much better return on equity to the Government.

Now, I come to mobilisation of resources. Mr. Ashok Mitra is right. We must raise resources. But from where do we raise resources? Whom do we tax? By and large, there is the rule of thumb. Again, don't pin me down to last decimal points. By the rule of thumb, agriculture accounts for about one-third of the GDP, services account for roughly one-third of the GDP and manufacture accounts for about one-third of the GDP. The Central Government cannot tax agriculture. I have read, in the last six weeks, article after article of eminent people. They ask: Why is the Finance Minister not taxing agricultural income? Why don't they simply read the Constitution and put the question where the power to tax agricultural income is? The agricultural income can be taxed by the State Governments alone. Therefore, please go back as Members of the House, the Council of States, and ask your States to tax agricultural income. We don't have the power to tax agricultural income. The States do not have the courage to tax agricultural income.

SHRI K.R. MALKANI: You take the power and muster the courage.

SHRI P. CHIDAMBARAM: We cannot take the power...(*Interruptions*) Why doesn't the BJP put in its election manifesto that it would amend the Constitution and take the power to tax agricultural income? I ask you to do that. Before you tell me to take the courage, you should take the courage to put it in your election manifesto.

Take services. The previous Government taxed three services, namely, telephone bills, stock brokerages and insurance policies. I have, now, introduced two taxes on services, namely, tax on advertising charges and tax on courier charges. But there is a howl of protest. Every country in the world has a VAT. Every activity is subject to a VAT. Even a doctor writing a prescription has to add a VAT. Now the tax on services is equivalent to VAT. It is not a VAT but it is equivalent to a VAT. It is in the nature of a VAT. All that we have done is, we are taxing the advertising charges, we are taxing the courier charges, because they add value. Why would anybody provide a courier service if it is not adding value? Why would anybody resort to a courier service unless he is getting value? Therefore, I am taxing the two services. I am open to suggestions to tax more services. But taxation, I believe, should be like a bee drawing honey from a flower. You ought not to hurt the person who is being taxed, not hurt the industry which is being taxed. Taxation, as far as possible, must be painless. The point of departure between Mr. Ashok Mitra and me is that he believes that

taxation must be savage. I don't believe that. That is the difference.

4. P.M.

SHRI K. R. MALKANI: You reduce the rate and you will get more.

SHRI P. CHIDAMBARAM: I am with you there. I am glad that we agree on some point. I do not believe in savage taxation. But look at the records.

SHRI ASHOK MITRA: Mr. Finance Minister, you have again treaded on a very dangerous ground. You just read your Constitution, articles 268 and 269. I doubt very much whether you have the prerogative to tax advertisements. It belongs to the State. You have done some sleight of hand.

SHRI P. CHIDAMBARAM: There is no sleight of hand. I bow to his knowledge of the taxing powers in the Constitution. But I would most earnestly urge him to defer to me on matters of law as I defer to him in matters of economics. Sir, look at the resource mobilisation. This year we have raised more resources than at any time in the last ten years. The additional resource mobilisation this year is Rs. 2,692 crores. We have never raised so much resources in the last ten years. The highest we raised was in 1991, about Rs. 2,100 crores. This year we have done the largest additional resource mobilisation. I believe in a philosophy of low tax rates, simple procedures but strict enforcement. That is one of the reasons why I have lowered the tax rate in the first bracket of the income tax. I have halved the surcharge on corporate tax because it is an overdue promise that it would be removed in three years. And I intend to remove the other half also in the next Budget and I have said that in my Budget speech. I believe that low tax rates, simple procedures but very strict enforcement is the best way to raise more resources, even while we tax areas which have not been taxed because they are new areas of activity, new areas of growth like the services sector. I wish to say a few words about tax enforcement. Sir, I am very clear in my mind that there is a large amount of evasion and leakage in the excise duty collection. This is one of the reasons why we have tightened MODVAT. We have now limited the MODVAT invoices to two stages after the manufacturer. We have also introduced penalties into the Customs Act and the Excise Act for people who will intentionally evade duties and taxes. We have also said that they would have to pay, besides penalty, interest from the day the tax becomes due. I have not issued any special instructions to my officers but you would have noticed that in the last three or four weeks there has been very strict action taken on a wide front, on the income tax side, on the excise side and the customs side. Some officers have also been caught red-handed, officers have been punished. Some people who thought that they are beyond the reach of the taxman have been touched, some corporates who thought they can get away with evasion have also been touched. It is all very nice to say "selected" it is very easy to say that. If you do something you are damned, if you don't do something, you are damned. The point I am saying is this. There will be criticism, there will be complaints that the Government is being harsh. All I am requesting you to understand is, we are not being harsh, we are not being unfair, we are only trying to enforce the laws that stand on the book today. It is not my intention to do anything special, or savage or harsh. But I want the message to go that those who have to pay tax, be it income tax, be it excise duty, be it customs duty, have to pay those taxes. It is my intention to achieve the targets that we have set for ourselves and to achieve the revenues that we have projected, because if we do not reach these revenue levels our fiscal deficit will balloon. We will be in an even worse situation than what we are in today with five per cent fiscal deficit. I assure you there will be fairness but there will be firmness. People who have to pay taxes have to pay their taxes on time. Sir, I turn next to what in this Budget we

have done in some crucial areas—I would very rapidly run through them. On infrastructure, as I have said, we have provided Rs. 900 crores for completing irrigation schemes; we have provided Rs. 2,500 crores under IRDF-II through NABARD; we are creating the Infrastructure Development Finance Company with a capital of Rs. 5,000 crores—it will be capitalised at rupees one crore this year; we have provided Rs. 200 crores to the National Highway Authority of India; given a tax holiday for infrastructure projects which now extend to water-supply, irrigation, sanitation and sewerage systems and we are exempting funds for financing infrastructure from Income-tax. I have also added ten thousand rupees to the exemption available under section 88 of the Income-tax Act. This infrastructure is crucial and I have some worrying information which I want to share. Six industries are identified as infrastructure industries. These are: electricity, coal, saleable steel, crude, petroleum, refinery products and cement. Now the performance of these six industries in the first quarter has been only 4.7 per cent, as opposed to an annual growth last year of 7.8 per cent. We don't have the figures for the entire industrial sector, but we have figures for 24 industries, including these six industries. In the first quarter, 18 other industries grew by 5.7 per cent —less than last year and that is why there is some talk about slow-down in the economy. The average is 5.1 per cent. Of this, Sir, we have some provisional figures for April-July, electricity, steel and petroleum are not performing well. Electricity is growing only at 2.1 per cent; steel only at 5.3 per cent and petroleum at minus ten per cent. These are causes for worry. I have spoken to my colleagues and I will speak to them to look into these industries because this will determine the rate of growth of industry and this will eventually determine the rate of growth of GDP.

SHRI JIBON ROY: Steel will further go down because of your tax policy on Customs.

SHRI P. CHIDAMBARAM: Please don't rush to conclusions. We are looking into that policy. I know your concern. I have taken note of your concern. I have also held extensive discussions with the Ministry of Steel; I have discussed it with the SAIL; discussed it with the Alloy Steel Plant, Durgapur; discussed it with the Salem Steel and I think the package that is being evolved is a satisfactory package and I don't accept your criticism that what we have done in the Budget will cause...

SHRI JIBON ROY: Mr. Finance Minister, please yield for a minute.

THE VICE-CHAIRMAN (SHRI MD. SALIM): Please allow him.

SHRI P. CHIDAMBARAM: He met me and had a long talk with me and I have understood his concern and I said that we will take care of all his concern. ...(*Interruptions*)...

THE VICE-CHAIRMAN (SHRI MD. SALIM): Then, what else? Please sit down.

SHRI P. CHIDAMBARAM: If he wants me to accept what he says, then I am afraid I can only take that as an input along with the inputs from the Steel Ministry—from all the major producers of steel as well as Salem Steel Plant, Alloy Steel Plant, Durgapur as well as the Ministry of Steel. I have a letter from the Minister of Steel expressing their point of view and I am taking into account all of them. So, the point I wish to make is while industry seems to be performing at a slower rate this year than last year, the infrastructure industries are underperforming the industrial sector. That has always been so in the past. One of the reasons I venture to suggest why they are under performing is you are over-regulating them. We need to look at the kind of regulations, the stranglehold of regulations that apply to these industries, namely, electricity, coal, steel, petroleum, refinery. If industries are so over-regulated, I venture to suggest that they will under perform. They are under performing the

economy. In fact, they should lead the economic growth by over performing the economy. If the average is 5.1, then these industries must perform at least at seven or eight. The average is 5.1, they are at 4.7, other industries are doing 5.7 and the average is 5.1. These are, of course,...

SHRI ASHOK MITRA: Mr. Finance Minister...

SHRI P. CHIDAMBARAM: What can I do? We seem to have different..

SHRI ASHOK MITRA: Mr. Finance Minister, this is a question of data. Three years ago, if you look into the data, you will find that the performance of power and mining sectors was ahead of the performance in other sectors. So, this is where ideology comes in and the validity if your ideological theorem, I think, will have to be assessed with some care.

SHRI P. CHIDAMBARAM: The answer is that we regulate them more. I think that is a wrong answer. We don't regulate them more. All I said is we must look into the regulations that apply to these sectors and must ask ourselves the question and I venture to suggest that these are over-regulated sectors. If you think that they are not over-regulated, I respect your opinion but it do not agree with you. The answer is not to add more regulations. I think, we should look at these sectors to see if they are over-regulated. If they are over-regulated, then, I think, we should deregulate them. The CMP says that we will deregulate the industry. The CMP accommodates views of 13 parties and it says that we must deregulate the industry. I am not saying, "Remove them" I am saying, if they are over-regulated, if regulations are coming in the way of their performance, we should look at those regulations and see to what extent we can deregulate these industries. That is the point I was making.

Sir, this is a cause for concern and our industrial performance must pick up. If it is a matter of credit, as I said, we are looking into the interest rates as well as availability of credit. If it is a matter of any other bottle-necks, I am indialogue with my colleagues. We must look into them to see that these sectors do not perform at a lower rate. They must perform at a much higher rate.

Sir, next I turn to the concerns of social justice and what we have done in this Budget. Again, Sir, there have been figures. Everyone has his own figures. He is entitled to his own figures. But there is a way of looking at figures and aggregating them. I am not trying to indulge in any jugglery. But I have gone over every figure. I have gone over them again and again and again and I am absolutely convinced that the figures that I give are the correct figures and it is the correct way of looking at the expenditure. I have looked at allocations made both for Plan and non-Plan in social services. I am comparing BE to BE and that is the right way to compare because we do not know what will happen at the end of the year. I am comparing 1996-97 BE to 1995-96 BE. The Central Plan allocation for social services increased by 50% and non-Plan allocations by 16%. I told in the Lok Sabha that I would circulate this note to all the Members. Here also I will circulate this note to all the Members at the end of the week. The allocation for social services increased by 50% and the non-Plan allocation increased by 16% Taking the total of Plan and non-Plan allocation for social service as a percentage of total expenditure, this ratio was 6.15% in BE 1995-96; it increased to 7% in RE 1995-96 and in BE 1996-97 it has increased to 7.29%. As a ratio of GDP, the allocation of Plan and non-Plan in social services was 0.97% in BE 1995-96; it rose to 1.17% in RE 1995-96 and it increased to 1.19% in BE 1996-97. While I give credit to the previous Government for large allocations to social services, I

wish to take credit for this Government because we have improved upon those allocations and we are allocating more for social services. The question is: can we allocate more funds? The answer would be, I would like to allocate more. We can allocate more only if we save elsewhere, only if we show that we can compress expenditure on other areas. There are some areas which might make larger claims upon the Budget than what we have provided for, for example Defence. I have made it repeatedly clear that while our allocations to Defence— I will come to figures later-are adequate, if need be, we will give more funds for Defence. Funds are no constraint for having a good defence or for having an armed force in a fighting fit condition. Similarly, for the Pay Commission's recommendations, we have made a provision of only Rs. 5,000 crores. There may be claims for more money to provide for all that the pay Commission may recommend. I have to keep all that in mind. Keeping all that in mind, we have allocated a large amount of money for social services.

The further point I wish to make is, all these figures which I give and all these percentages which I give are not counting the Rs. 2,466 crores which have been provided. If I count this Rs. 2,466 crores also which will eventually go to drinking water, rural housing, PDS, Midday Meal Scheme, primary health centres, primary education, etc., if I allocate it under those heads, you will find expenditure on social services this year is much higher than last year's expenditure. If you look at the Central Plan Outlay for major schemes in social sectors by Departments which is a standard classification adopted in surveys, the total Central Plan expenditure on social sector as a proportion of the budgetary support for Central Plan has increased to a record level of 50 percent in BE of 1996-97 as compared to 47 per cent in the BE of 1995-96. Similarly, as a ratio of the GDP at market prices, the total expenditure in these schemes increased to a record level of 1.31 per cent of GDP in BE of 1996-97 as compared to 1.25 in the BE of 1995-96. So, I have figures broken down by year, by sectors like education, health, water supply, information, welfare, labour, social welfare etc. I do not want to take the time of this House by reading those figures. The point I am making is that we have not allocated less. On the contrary, we have allocated more both in absolute numbers and as a percentage, both of total allocation, total expenditure, as well as GDP.

There was some concern expressed about defence. Again I wish to say that money will never be a constraint for defence. But, a good defence, is not only more money. A good defence, I believe, is good foreign policy, a good trade policy and a good neighbour policy. As long as India follows a good foreign policy, a good trade policy, a good neighbour policy and adequately provides for its defence services, there is no cause for concern that we will let down our defence services. I will repeat that if defence services require more money, they will be provided more money during the year. But, I wish to highlight a feature of the defence allocation. The defence allocation can be broken down into revenue and capital. What we have done on capital account is exemplary. For example, Sir, on the capital account the 1995-96 BE was Rs. 7,354 crores, the 1995-96 RE was Rs. 8,044 crores. In this Budget BE, we have provided Rs. 8,944 crores on the capital account. That continues to remain at 0.7 per cent of GDP. If you look at it in percentage terms, last year's BE showed an increase of 7.7 per cent; RE showed an increase of 16 per cent. But, in this year's BE, there is an increase of 16 per cent. But, n this year's BE, there is an increase of 21.6 per cent. Enough money is being provided for the defence services on the capital account and they will not be starved of money, if they need more money.

Sir, for science and technology we have provided more money this year. In 1995-96 BE was Rs. 2,087 crores. This year we are providing Rs. 2,360 crores. I know this is not adequate. We must provide far more for science and technology and R&D. That is why while the Interim Budget gave Rs. 10 crores under the Technology Development Fund, we raised it straight away to Rs. 30 crores and then we introduced an innovative feature. That is, for every commericial rupee that the ICAR and the CSIR labs. will raise, we will match it with another rupee from the Budget. This been widely welcomed by the scientific community. The Prime Minister took a meeting of the CSIR Board and all the heads of all our research labs were present. They began their presentation by saying, 'the single most innovative feature in the Budget, as far as we are concerned, is that you will match a rupee with every commercial rupee that we raise.' They are extremely confident that they can raise a large amount of resources by applying and commercialising the research and development that they do. So on the course of the year as we raise more funds, we will provide more funds. The Technology Development Board was notified last week and that also will now draw more funds from the CESS that has been levied and more funds will be made available during the course of the year for science and technology also.

Mr. Satish Agarwal made a point about the exchange rate mechanism and described that as anti-India. I am not quite sure what the thrust of the agrument was because I was not here to listen to that argument but, I am going through my notes. The exchange rate was officially fixed by the Government only until February, 1992. After that, a liberalised exchange rate was in operation and now it is virutally market-determined. In March, 1993, we unified the exchange rates. It is now the market-determined-exchange-rate system. The concept of devaluation is no longer relevant. The exchange rate remained stable at about Rs. 31.41 from March, 1993 to July, 1995. There was a high degree of volatility in the second half of 1995. The rate depreciated to about Rs. 36 in late October, 1995, but some adjustment was undoubtedly warranted, because the real effective exchange rate had appreciated; our products have become less competitive; there was an appreciation of about 7%. Therefore, I think, the downward adjustment of exchange rate in September/October, 1995 was perfectly warranted and restored the competitiveness of our products. In January, 1996, the Rupee came under pressure again. But, however, the Rupee did not change against the Japan's Yen or German's Dentsche Mark. The Exchange Rate Policy is guided by the twin considerations of maintaining our international competitiveness and orderly foreign exchange market conditions. I looked at the figures yesterday. The Rupee has strengthened, marginally, against three or four currencies. The Rupee will strengthen, the Rupee will weaken; it will depend upon our inflation rate and their inflation rate and also the FOREX inflows. I think the system that is in vogue today is the correct system of a market-determined-exchange-rate but R.B.I. will intervene in order to prevent high degree of unusual volatility. As Commerce Minister my position always was that the R.B.I. must intervene to prevent a high degree of volatility. I have not changed my views. The R.B.I. is quite conscious of its role. It will intervene to prevent any degree of volatility. I think, we must allow the exchange rate to be market determined, if we must keep the competitive edge for our products.

Sir, I do not wish to take more time. I announced a set of measures for the capital market in the Lok Sabha. That has been widely published. I do not wish to repeat them. There are a number of taxation proposals made. I have accepted some of them while I announced the measures for the capital market. Some other suggestions have been made. I

intend to accept some of those suggestions and I will announce them tomorrow while I reply to the Finance Bill. Mrs. Alva mentioned about newsprint. Now, again she has to help me We have to walk a line between newspapers and newsprint producers. Last year, with the guidance of Dr. Manmohan Singh as Finance Minister, I announced on behalf of the then Government that we are abolishing the duty on newsprint because newsprint prices had soared to about $ 700 or 800 per tonne and our newspapers were finding it difficult to maintain the priceline. Newsprint prices have indeed come down now to about $ 450 of 500. Therefore, the price of imported newsprint has come down.

The domestic producers have now complained that they are not able to compete with the imported newsprint. It is, therefore, that I promised last time that if the prices crash, we would reimpose the duty, a higher duty, in order to protect the domestic producers. The matter is engagir attention. But if we decide to enforce the duty on newsprint, I would only submit that we should see to the friends of Mrs. Alva. The newspapers would direct their ire towards her. *(Interruptions)*

SHRIMATI MARGARET ALVA (Karnataka): Mr. Minister, there was a proposal. (*Interruptions*) Last year, you abolished it. The Kelkar Committee made two recommendations. They said that import duty should be 40 per cent. You did not follow that part of the recommendation. You only followed the first part. (*Interruptions*)

SHRI P. CHIDAMBARAM: Last year, the Government took a conscious decision that having regard to the high price of newsprint, the duty on newsprint would be reduced to zero. This is what was done.

SHRIMATI MARGARET ALVA: And close down the domestic industry!

SHRI P. CHIDAMBARAM: We are not closing them down. Last year, the paper mills made a huge profit. Have a look at their balancesheet. They made a huge profit. This year, they are in difficulty because domestic prices are not able to compete with the imported price. Therefore, I am looking into the problem. I am examining the question whether it is necessary to reimpose the duty on newsprint. But I cannot make an announcement now. We are waiting. We are now engaged in a dialogue. I would come up with some answer which is satisfactory. All I am trying to say is this. I am looking into all the suggestions. But I cannot announce anything on tax proposals since I had not indicated anything in the Lok Sabha on this matter.

I am looking into the problem of newsprint. All that I am saying is that we should, collectively, be prepared to receive criticism from the newspaper industry if we reimpose the duty on newsprint. This is all I am trying to say. I am aware of the problem. I would look into it. Even this morning, I had a talk with some people. They are coming again to see me. We will find a way. We will find a solution. There is no need for any alarm on that score.

Sir, I had announced measures for the capital market. Of course, there are demands which, sometimes, cannot be met. Of course, my personal predilection is to view many of these demands favourably. But I do not understand why some of these demands have become shrill this year.

For example, they say that unless we abolish the income-tax on dividend, the capital market would not grow. I do not understand that. I did not impose the income-tax on dividend. The income-tax on dividend has been there for years now. I do not think that is related to the capital market.

Then, there is of course, the vexed question of MAT. Should there be a minimum alternate tax or not? This morning, I enjoyed a little debate in the Consultative Committee. I asked the

members of the Consultative Committee whether we have a consensus in the Committee about MAT. I found that there was no consensus on MAT. There is a powerful section which believes that MAT is good Equally, there is another section which believes that MAT is a very destructive tax. It is not possible to please everybody.

SHRI E. BALANANDAN (Kerala): Sir, of course, the Finance Minister is looking into many things. But I raised the question of 70 lakh beedi workers with you. You must keep it in mind and I hope you would deal with that. That is all.

SHRI P. CHIDAMBARAM: Therefore, Sir, some of these questions do not have instant answers; nor do they have answers which could satisfy everybody. If I abolish MAT... I am looking behind me. On the other hand, if I continue with MAT, there are many eminent people who think it is bad.

At the same time, look at it this way. The corporate sector is supposed to pay 40 per cent tax. Studies show that the effective rate of taxation in the corporate sector, after all the exemptions—I do not blame anyone for this: over the years, these exemptions have continued—is not more than 19 per cent. The corporate sector pays only 19 per cent, whereas, a large number of salaried people in the country are paying 40 per cent on the margin. A person who has an income, today, of more than Rs. 10,000/- per month has to pay 40 per cent on the margin. However, the corporate sector pays 19 per cent, on the average. Therefore, I do not think the corporate sector can cry hoarse that it is a heavy dose of taxation. What have we done? What we have said is: there is an alternate tax under which you will have to pay 12.9 per cent of your book profits. You can book a larger depreciation. I do not take any objection to that. They can book a larger depreciation, under the Companies Act.

The long-term answer to this problem is to review these exemptions and remove as many exemptions as possible and keep a low rate of tax. I have already taken steps in that connection. The previous Government had done a lot of work on the income-tax law but it could not bring about a Bill. I am committed to having a draft Bill for public debate on the 1st of January 1997 and I am hopeful that many of the exemptions which are now provided in the Income-tax Act can be removed and we can have a moderate rate of taxation.

SHRI SATISH AGARWAL (Rajasthan): Sir, I did not disturb the hon. Finance Minister while he was speaking, because he was not here to disturb me! Anyway, as I am rushing for some other meeting, I have got only one or two points to seek clarification on. You have given some clarifications and tried to justify the same Revised Estimates as were shown by Dr. Manmohan Singh in February or by Mr. H.M. Patel in 1977 or by Mr. R. Venkataraman in 1980-81. May I ask a question? When can you give some correct figures, in this your Annual Report, with regard to income tax, corporation tax and interest tax, with regard to customs and excise? This document was made available to us. The same figures could have been given in your Revised Estimates when you presented the Budget. This is your Annual Report.

SHRI P. CHIDAMBARAM: When was that?

SHRI SATISH AGARWAL: It was made available to us when we met in the Finance Committee on the 9th of August.

SHRI P. CHIDAMBARAM: That is the point.

SHRI SATISH AGARWAL: It was earlier than that. ..(*Interruptions*)... Anyway, I am not joining issue on that. You have given a plausible explanation right from 1977 to 1996. So, that is just one point. But, for future it is not necessary

that hereafter also everybody follows this as a past practice.

SHRI P. CHIDAMBARAM: That I readily agree. There is no reason to follow the practice, but since I had to present the Budget within 35 days of joining the Ministry and I was not aware of any other practice, I had to follow the practice of the past.

SHRI SATISH AGARWAL: I expect new practices from you. You have a very good practice at the Bar!

Anyway, the second point is, you have talked about bringing down the interest rates. How do you bring down the interest rates when the Government itself is borrowing at 13 or 14 per cent? How do you intend to bring down interest rates? Secondly, you have allowed non-banking financial companies to pay interest, on deposits, at more than 15 or 16 per cent.

SHRI G. SWAMINATHAN: No, it is 32 per cent in Tamil Nadu.

SHRI SATISH AGARWAL: Now the debt market is up. The equity market is going down but the debt market is coming up, coming of age. I am told that in the market there are non-banking financial companies which are offering 16 per cent, 17 per cent, and three, four per cent under the table. That comes to round about 22 per cent.

SHRI G. SWAMINATHAN: In Tamil Nadu it is 32 per cent. And no action is being taken.

SHRI SATISH AGARWAL: I am not here to contradict him, because he comes from your own State! If that is the position, how do you bring down the interest rates? I am putting all the three questions together. Regarding petrol price hike, you referred to Mr. Jaswant Singh. Mr. Jaswant Singh, essentially, is a man of Defence, not of Finance. Whatever it is, by accident he was put in that place. Essentially he is a man of Defence. So, don't take the plea of Mr. Jaswant Singh's note on the file. And may I ask you a question? I raised that issue here and I expected a reply from you, and that is regarding the collection of cess. Cess was levied by an Act of Parliament of 1974. Rs. 20,000 crores were credited to that particular account. Now, as on date, the total figure has come to Rs. 28,000 crores; it is cess for the development of the oil industry. Now, your crude production has come down. You were just giving figures showing that the performance of the petroleum sector is on the minus side and that you are very much concerned about it. I raised this specific question. When Parliament authorised levy of cess for the development of the oil industry, you gave only Rs 900 crores out of the Rs 20,000 crores collected as cess under the Act of Parliament. What is the justification for that? You are now expressing concern about the petroleum price hike, here or there, that it was inevitable. Mr. Jaswant Singh could not have understood all these things within a week that this is the cess accounts, these are the appropriation accounts and these are the finance accounts. Why do you debit in this account unnecessarily and try to suppress the whole thing? You are answerable to Parliament. The total amount of cess is collected by the Ministry of Finance under 20 heads. There is a cess collected by the Ministry of Finance. There are other cesses collected by various other Ministries. The total aggregation of these cesses must be a hundred thousand crores of rupees so far. I want to know whether the Sugar Development Fund is not Rs. 7,000 crores today. How have you utilised it? Where has that money gone? Why did you not utilise that cess money for the development of the oil industry. You are frightening us by saying, "The import bill is going up. The prices have gone up. We had to increase it. We did the right thing." No, we did not do the right thing. The wrong thing that you did is that you did not give the money for the development of the oil industry, as it was brought out by the Parliamentary Standing Committee on Petroleum. You have not answered that inconvenient question. So, I am not in

agreement with you on that question.

One thing more.

SHRI M.A. BABY (Kerala): Sir, I am on a point of order. Is it proper to criticise a Member of the other House, especially when he is not present here?

SHRI SATISH AGARWAL: Thank you very much, my Baby, for the sympathy. Facts are facts.

THE VICE-CHAIRMAN (SHRI MD. SALIM): You can put questions, but you cannot reopen issues.

SHRI SATISH AGARWAL: I am not reopening them. I remained completely silent when the Finance Minister was speaking. I did not utter even a single word.

Now, the last one or two things. Just one minute.

Regarding the exchange rate, is it the responsibility of the Government of India? When the rupee depreciates to Rs. 35 or Rs. 36 per dollar, you say that is the market-determined rate. When the rupee was bouncing back to Rs. 26 or Rs. 28 per dollar in 1993-94, why did you direct the Reserve Bank of India to make heavy purchases worth Rs. 50,000 crores? It should have been the market-determined rate. Let the rupee appreciate. If the rupee appreciates to Rs. 28 per dollar, let it be so. Is it the responsibility of the Government of India to keep the rupee down?

So far as defence is concerned, in today's newspapers the retiring Navy Chief has made the statement, "We have not purchased even one war ship during the last ten years. We have been reminding the Government. The Government does not understand this. Our position is going to be very terse if something unfriendly happens in a country with which we have got very friendly relations." This is alarming, but due to the paucity of time I am not going to raise this issue.

These are the three or four points. I do hope that you will give some clarifications, particularly on the threats. What have you to say on these?

SHRI G. SWAMINATHAN: Sir, I will raise a small point.

A speech was made on 29-8-96 by the Member, Mr. R. K. Kumar, belonging to my party. I also raised a supplementary on that about MODVAT, about which the Minister made a mention just now. I had said, "Small-scale industries cannot purchase the same goods at two levels." I had also said, "They cannot pass it on at two levels." Then I had mentioned about the difficulty of the small-scale industry. The Minister had said, "I do not want you to maintain two separate books. I know the problem of section 57CC. It has been postponed to the 1st of September." He gave an assurance and said that they did not need maintain two books. But his Department, the Central Excise Department has issued an order on the 1st of September, making some changes in MODVAT. It has appeared in "THE HINDU". It says that it has been decided that where a manufacturer uses common inputs in the manufacture of dutiable as well as exempted goods, the manufacturer will have two options. One is to maintain a separate inventory and accounts for the input used in dutiable goods and exempted goods."

SHRI P. CHIDAMBARAM: There are two options. That is one option.

SHRI G. SWAMINATHAN: You never said that there would be another option like that.

SHRI P. CHIDAMBARAM: You asked whether you should maintain separate accounts. ...(*Interruptions*)

There are two options.

SHRI G. SWAMINATHAN: There is another option. You have to pay 8 per cent. This is the very problem we raised. He said that these people could not maintain two accounts.

SHRI P. CHIDAMBARAM: It was 20 per cent. ...(*Interruptions*) Kindly listen, Mr. Swaminathan.

SHRI G. SWAMINATHAN: Sir, please allow me to speak.

The Minister gave an assurance in the House, and he said, "I will not ask you to have two books." The two options are to keep two books or to pay 8 per cent. Then, they have to pay lakhs and lakhs of rupees or many thousands of rupees. This is making the people to have two books. This is against your own assurance.

SHRI P. CHIDAMBARAM: No, no, not against my assurance.

SHRI G. SWAMINATHAN: I shall be thankful if you can look into the matter. Why has your assurance not been kept by your Ministry?

श्री रामजीलाल (हरियाणा): महोदय, मैं वित्त मंत्री जी से कहना चाहता हूं और मैंने अपने बजट भाषण में भी यह मांग की थी कि सारे देश में कपड़ा ट्रेड यूनियन की स्ट्राइक चल रही है। इस बजट में हमारे वित्त मंत्री जी ने अच्छा काम किया है लेकिन मैं यह पूछना चाहता हूं कि एडीशनल ड्यूटी जो 100 रुपये मीटर से ऊपर के कपड़े में पहले 20 परसेंट थी, उसे घटाकर 10 परसेंट कर दिया और 100 रुपये से नीचे के कपड़े पर ड्यूटी बढ़ाकर 10 परसेंट कर दिया है जबकि अमीर लोग 100 रुपये से ऊपर का कपड़ा पहनते हैं और गरीब लोग 100 रुपये से नीचे का कपड़ा पहनते हैं।

जब हमने वित्त मंत्री जी से कहा तो उन्होंने 20 परसेंट की बजाय 11.60 ड्यूटी कर दी और पहले जो ड्यूटी 100 रुपये से ऊपर मीटर वाली थी उसे 8 परसेंट कर दिया है। कहने का मतलब यह है कि 100 रुपये मीटर से ऊपर वाले कपड़े पर ड्यूटी 8 परसेंट और 100 रुपये से नीचे वाले कपड़े 11.60 कर दी। मेरी प्रार्थना है कि कपड़ा ट्रेड यूनियन में स्ट्राइक चल रही है आप कृपा करके इस ड्यूटी को 4 परसेंट कर दें। यदि इसको 4 परसेंट नहीं किया गया तो कपड़ा ट्रेड का बुरा हाल होगा। एक बात मैं और कहना चाहता हूं कि सैक्शन-4 जो लगी हुई है उसका मतलब यह है कि कोई भी ट्रेड अपनी एक्साइज ड्यूटी जो बतलायें उससे ज्यादा हो तो उस पर पैनल्टी भी होगी और क्रिमनल केस भी होगा। कपड़ा ट्रेड ऐसी है कि 20 रुपये पर मीटर का जो कपड़ा होगा, जैसे 1200 मीटर का जो थान होगा उसमें से 200 साड़ियां बनेंगी। वे सारी साड़ियां एक ही कीमत पर नहीं बेची जा सकती। महोदय, आप भी मार्किट में जाते हैं, आप भी देखते होंगे कि कोई डिजाइन अच्छा होता है तो 20 रुपये मीटर बिकता है और वही डिजाइन कहीं 18 रुपये मीटर बिकता है और कहीं 22 रुपये मीटर बिकता है। सेक्शन 4 से कपड़े का सत्यानाश हो जायेगा। मेरी आपसे प्रार्थना है कि आप इस पर कुछ रियायत करें। चार परसेंट बताया हुआ है इससे ज्यादा नहीं हो सका है। एडीशनल ड्यूटी 100 रुपये मीटर से ऊपर के कपड़े पर 20 परसेंट की जगह 8 परसेंट की दी है। एडीशनल ड्यूटी 100 रुपये मीटर से नीचे के कपड़े पर 10 परसेंट की जगह 8 परसेंट कर दी है जोकि 4 परसेंट होनी चाहिये क्योंकि यह ड्यूटी इन ल्यू आप सेल्स टेक्स है जो भारत के सभी प्रांतों में 4 परसेंट से ऊपर नहीं है। अतः एडीशनल ड्यूटी 4 परसेंट ही करें। आपने बेसिक ड्यूटी 3.60 परसेंट कर दी है। कृपया उसको ठीक कर दें, यही मेरा निवेदन है।

SHRI JOHN F. FERNANDES (Goa): I did not want to disturb the hon. Minister when he spoke about the customs duty on imports by business houses and corporate houses. I am told there is a *modus operandi* that the Customs Officers first advise the importers to underquote their imported goods. As a result less than the entitled customs duty is paid. Subsequently the very same Customs Officers detect this. I am told there is a scheme in the Government to reward or to give incentives to these Customs Officers. The Finance Minister says that the balance will be recovered and they have to pay a simple or compound interest also. Why don't you penalise them for not declaring this actual customs duty at the intitial stage? Custom rules are very clear. I cannot pay for TV when I import a fax machine. Will the hon. Minister clarify this position? Will he remove this scheme of incentives or awards to the Customs Officers also?

DR. BIPLAB DASGUPTA (West Bengal): I do not know whether the hon. Minister has misplaced his papers while replying. I had raised a number of issues during my speech which have a bearing on the Centre-State financial relations. One of them has been covered while replying to queries made by Mr. Agar-

wal. But, I had also mentioned two other specific issues relating to Centre-State financial relations.

One aspect was about the interest rate charged. The Central Government borrows money, as soft loan, at a very low rate of interest, at one and a half per cent or two per cent, from outside agencies. Then it lends the money to the State Governments at the rate of 14.5 per cent. The Centreal Government is making handsome money out of the interest rate which it is charging, almost like a moneylender. Why should this be done? Even this 14.5 per cent which is just now charged was reached in steps from 1974 when it was only four per cent or so. This is very, very unfair. I would like to know whether the Central Government would discountinue this or not. That is one aspect.

Another point is regarding the transfer of schemes. I want to know whether the Central Government, while transferring schemes to the State Governments, would transfer not only the schemes but also the money along with them; and whether the Government would be prepared to get it approved by the Inter-State Council and would see that there would be sufficient additions later on also in the subsequent years so that the State Governments might not suffer while implementing the schemes.

I may add one other important point also. I find it very puzzling. The Finance Minister has mentioned that he was the Commerce Minister in the previous Government and is the Finance Minister here—he has served in both the Governments—and there is continuity of reform. Then what is the difference between the policy, with respect to reform, followed by this Government and the policy followed by the previous Government? There has to be a clear distinction. (Interrputions). There is no sufficient distinction between the position which you took as the Commerce Minister in the previous Government and the position you are taking as the Finance Minister in this Government. How are you differentiating yourself from Dr. Manmohan Singh? This is something which I very much like to know.

SHRI P. CHIDAMBARAM: I will very briefly reply. I was concluding my reply. I will deal with the last aspect raised by Mr. Biplab Dasgupta first.

I think it is very obvious that this Government has shifted the emphasis on certain aspects of the reform programme. And it is not the intention of this Government to abandon the reform programme. The shift in emphasis is visible to anyone who carefully reads the Common Minimum Programme. But, in order to discover the shift is emphasis, you must subscribe to the Common Minimum Programme. If you are a critic of the Common Minimum Programme, then you will not discern any shift in emphasis. I have accepted the Common Minimum Programme not because it fully reflects my points of view, but because it is the largest area of consensus that we have worked among thirteen political parties. And that is why the Common Minimum Programme.... (*Interrpution*).

SHRI SATISH AGARWAL: Or the Common Maximum Programme, whatever it is.

SHRI P. CHIDAMBARAM: It is much better than a party which has no programme.

Please try to invest this with a certain amount of seriousness which it deserves. It is not easy for thirteen politcal parties.... (*Interruption*).

SHRI SATISH AGARWAL: I am only coming to your rescue. He is also a party to the Common Minimum Programme. I am coming to your rescue. That is the Common Maximum Programme that you have. I am not opposing that.

SHRI P. CHIDAMBARAM: Thank you very much.

The point I am trying to make is this. Look at the emphasis. Look at disinvestment. Is there no distinction between

what was advocated by the previous Government and what is being advocated by the present Government? There is a clear distinction. One is that it can only be through a Disinvestment Commission. Secondly, it divides industries into strategic, core, non-strategic and non-core industries. And thirdly, it earmarks the disinvestment resources for health, education and strengthening other public sector enterprises. How can anyone fail to notice the distinction? There is a clear distinction. I can go on giving examples from each page of the Common Minimum Programme. There are distinctions. I do not think there is any virtue in inventing distinctions which have no place or discovering distinctions which do not exist. There must be continuity. There must be change. I said in my opening statement that if you neglected the concerns of social justice, we would pay a heavy political price.

No one should know this better than I in this Government. We will pay a political price when we neglect a concern of social justice. Why did we call a meeting of the Chief Ministers on the 4h and 5th of July? Why did we place before them a Basic Minimum Services programme? Why did we ask them to affirm that these are the seven basic minimum services for which money must be provided? Is there no major shift by allocating Rs. 2,466 crores not to the Departments of the Central Governemnt but to the States directly as additional State Plan assistance? Is there not a distinction in allocating Rs. 900 crores to projects which should be identified by the States for completing the irrgation projects? I think the distinctions are obvious. But there is no virtue in overdoing the distinction, over-emphasizing the distinction. There is virtue in enlarging the areas of consensus and I think there is some pride for the thirteen political parties to claim: Yes, we have come together. We are different political parties but we have been able to agree on this programme, on this agenda." And I am happy that some of the Members on the BJP side also share many elements of the programme. I am grateful to the Congress. By and large, they support the programme though it has reservations on one or two points. From elections, we can always emphasise the differences. But in Government, I think we should emphasise the areas of agreement and I think the CMP is a unique, distinctive political Charter and I am proud to implement that Charter.

I think it gives me enough room for at least three years to implement an agenda which will take reforms forward even while addressing concern of social justice.

Sir, just one or two small points which deserve to be answered on the cess. While the basic assumption of Mr. Agarwal Ji is that the cass goes into a separate account. It does not. It goes into the consolidated account. It goes into the public account. Out of that, the Government allocates such sums as are considered necessary for oil development and transfer it to the OIDB. It is true that the Standing Committee has raised a number of issues. I have just settled that reply. We are in the projcess of sending a detailed reply about how must cess was collected and how much was allocated for oil development.

SHRI SATISH AGARWAL: No, no. That report has brought out that out of Rs. 20,000 crores collected, only Rs. 900 crores was allocated.

SHRI P. CHIDAMBARAM: The assumption is that the Cess is one kind of a tax. It is not a fee. The rate of customs duty and excise duty are calibrated, taking into account what the public account will receive by way of cess. If it was the intention of the Government then to transfer the entire amount collected under cess to the OIDB, then surely, the Governemnt would have caliberated its customs duty and excise duty differently in order to raise more revenue. I think, Satish Agarwal Ji should wait until a

detailed written note comes to the Committee and we can have another occasion when we can discuss that matter.

Now, I come to lending to the States. We on lend to States at 14.5 per cent with a maturity of 25 years, including five year moratorium. This is not the term on which we borrow. We borrow for much shorter period and some of these loans which we borrow, some of the concessional assistance that comes to us, is without any maturity period. On lending is a five year maturity and a 25 years repayment period. Therefore, the interest rate has to take care of that. Secondly, if I am speaking from memory, either Pranab Da or Dr. Manmohan singh will confirm. The exchange rate variation is borne by the Central Government. It is not borne by the State Government. These are the reasons why we have to fix 14.5 per cent. But on RIFD-2, Jyoti Basu was complementary what I have done on the RIDF-2. I think you should consult him. On RIDF-2, we have tried to reduce the interest rate by small amounts so that the States do not bear a burden. These are the two reasons why we have got 14.5 per cent lending rate. I don't think the Government of India is making a profit by being an intermediary in these loans.

On small savings, of course, I need not say anything. The cost of raising money for the Government of India is 18 per cent, including agent's commission and fee for post office while we on lend to the States at a much lower rate. That is why the States are unwilling to take on the burden of small savings. But they want the Central Government to collect the small savings and on lend to them.

Sir, I think, I have...*(Interruptions)*... I am coming to that point.

SHRI RAJUBHAI A. PARMAR (Gujarat): This will affect the whole industry.

SHRI P. CHIDAMBARAM: No, no; don't exaggerate the problem. ...*(Interruptions)*... Please don't exaggerate the problem. I am fully aware of it. ...*(Interruptions)*...

SHRI RAJUBHAI A. PARMAR: We are not exaggerating ...*(Interruptions)*...

श्री रामजीलाल: हम जस्टिस चाहते हैं...**(व्यवधान)**... 20 परसेंट और 8 परसेंट किया है ...**(व्यवधान)**... फिर सरकार कहती है कि 4 परसेंट कम कर दिया है..**(व्यवधान)**..

SHRI P. CHIDAMBARAM: Sir, the reform of MODVAT, the extension of MODVAT to the textile sector is long overdue. Textile sector cannot remain outside the MODVAT-framework. Powerlooms are out, handlooms are out; we are not touching them at all. It is the composite mills, the independent processor and the multi-locational processor who are brought under the MODVAT-net. The MODVAT has helped many industries to achieve high growth rates because they are able to MODVAT all the excise duties paid at an anterior stage. Textile fabrics alone stood outside; we have brought it under the MODVAT-framework. In doing so, I have spent a great deal of amount trying to calibrate it and fix the levels of taxation so that there is no great additional burden. Hitherto, the tax is levied only on yarn, but there is a great deal of leakage and evasion at the processing stage and at the weaving stage. The processor was paying an additional excise duty. Along with the excise duty, which goes to the State, we have now imposed a BED and that BED is to be MODVAT-ed. Earlier, excise duties paid can be MODVAT-ed against the BED. It is true that we have fixed a flat rate of ten per cent, but after extensive consultations, including with people from Surat, Ahmedabad, Amritsar and other places, we have moderated it. We have lowered the rate of BED at the processing stage. We have also increased the proportion of MODVAT from 50 per cent to 70 per cent. I have gone through the calculations myself, my office has gone through the calculations, there is no great additional burden. There is a small additionality but

that additionality is absolutely necessary if I have to prevent a huge leakage and an evasion of excise duties at the processing stage and at the weaving stage. All genuine complaints have been taken care of; all genuine grievances have been addressed. If a section of the industry still wishes to agitate, I am afraid, they are only being misguided. In the long run it is for the benefit of the textile industry that they are allowed to MODVAT the capital goods, dyes, chemicals as well as excise duty paid on yarn. If MODVAT has benefited hundreds of industries in India, there is no reason why the MODVAT-system should not benefit the textile industry. ...*(Interruptions)*...

AN HON. MEMBER: Sir, my point was, evasion of taxes should be stopped. ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI MD. SALIM): Please sit down. The Minister is still replying ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: He is talking about rates. ...*(Interruptions)*...

श्री रामजीलाल: सौ रुपए से ऊपर महंगे कपड़े पर क्यों कम लिया जाता है...**(व्यवधान)**... यह गरीब और अमीर की बात है। गरीबों के लिए ज्यादा टैक्स और अमीरों के लिए कम है...**(व्यवधान)**... यह क्लियर कीजिए।

SHRI P. CHIDAMBARAM: He is talking about rates. ...*(Interruptions)*...

SHRI AJIT P.K. JOGI (Madhya Pradesh): This is not a part of your CMP that you are taxing more the persons...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI MD. SALIM): It costs more than a hundred rupees per metre...*(Interruptions)*...

SHRI P. CHIDAMBARAM: That is not correct. That is not correct; I have raised the rate. Twenty-five rupees a square metre was the cut-off point. That has been raised even to thirty rupees a square metre. The poor people use clothes—this is an ex-factory price, not a retail price—the poor people use a cloth or a fabric which costs well under thirty rupees a square metre. Who uses a cloth which costs a hundred rupees a square metre at the factory price? Are the poor people using that cloth? We will have a full argument on the fabric duties which are levied and I am willing to stand by what I have done. The correction which I have done substantially takes care of the grievances that have been brought to my notice. Knitted fabrics have been exempted, grey fabrics have been exempted. Therefore, wait until the system settles down. When you introduce a new system, people who are getting out of the tax-net will naturally complain and I can understand that some of that complaint will echo in this House also, but I don't think that one should take those complaints as if that is the only side of the story and there is no other side of the story. The other side is, I am bound to collect taxes, I am bound to plug leakages...

I am bound to control evasion of duties. All that we have done is to impose BED on fabrics along with AED and both the BED and the AED have been calibrated in a manner that cloth fabric consumed by the poor people does not suffer any additional duty. ...*(Interruptions)*... I don't think we can have debates and debates. ...*(Interruptions)*...

उपसभाध्यक्ष (श्री मोहम्मद सलीम): अगर आपको कोई दिक्कत है तो बाद में मंत्री जी से मिलकर बोल सकते हैं।...**(व्यवधान)**... रामजीलाल, अभी आप बोलिए...**(व्यवधान)**...

Let the Minister conclude. ...*(Interruptions)*... We have to take up the discussion on the working of the Ministry of Power. ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: All that the hon. Members can expect from the Finance Minister is this. Does he understand the problem? Has he addressed their concern to the extent possible? I cannot be expected to accept word to word whatever the industry will

dictate on rates. In that event, I don't have to fix rates here. I can ask the industry to fix the rate of taxation for each one of them. That is not possible. ...*(Interruptions)*...

SHRI RAJUBHAI A. PARMAR: Mr. Finance Minister, you yourself have been saying that Rs. 30. ...*(Interruptions)*...

उपसभाध्यक्ष (श्री मोहम्मद सलीम): मंत्री जी के बोलने के बाद कहिए...**(व्यवधान)**... यह कोई तरीका नहीं है।...**(व्यवधान)**...

SHRI P. CHIDAMBARAM: I have understood the problem. I have discussed with them. I spent hours with them. The rates cannot be fixed. I can only say that I have taken into account all these in fixing the rates. Let us see how the system works. If it works, if there is still hardship, we will allow the system to work. ...*(Interruptions)*... It came into effect only on 4th September. ...*(Interruptions)*...

श्री राजूभाई ए० परमार: चिदम्बरम जी, आप बोल रहे हैं कि हम अपना माइंड अप्लायी नहीं करते हैं। ऐसी बात नहीं है। क्या हम ऐसी बात करते है? 30 रुपये का कपड़ा कौन यूज़ कर रहा है, आप बताइये, तीस रुपये का कपड़ा कौन यूज़ कर रहा है...**(व्यवधान)**...

SHRI P. CHIDAMBARAM: All I am saying is that I understood your point. ...*(Interruptions)*...

SHRI RAJUBHAI A. PARMAR: You said that we had not applied our mind. ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: I did not say that. ...*(Interruptions)*... Please look into the record. ...*(Interruptions)*...

Please look into the record. ...*(Interruptions)*... This is unfair, Sir. I said, "I have applied my mind". ...*(Interruptions)*...

श्री रामजीलाल: आप क्या कह रहे हैं ...**(व्यवधान)**... इस सदन में हम गरीबों की वजह से आए है, अमीरों की वजह से नहीं आए हैं। ...**(व्यवधान)**...

SHRI P. CHIDAMBARAM: You should not attribute it to me in this House. ...*(Interruptions)*... I said, "I have understood your point". ...*(Interruptions)*...

उपसभाध्यक्ष (श्री मोहम्मद सलीम): मंत्री जी को जवाब देने दीजिए। ...**(व्यवधान)**... ऐसी बात नहीं है कि यहां आपकी बात नहीं मानी गई तो किसी को बात नहीं करने देंगे। ...**(व्यवधान)**...

SHRI P. CHIDAMBARAM: How can we go on debating the rates, Sir? ...*(Interruptions)*... I said, "I have applied my mind." I did not say that you had not applied your mind. ...*(Interruptions)*... I think the rates that have been fixed are proper. ...*(Interruptions)*... I have taken into account the concern. We have reduced the rates. We have calibrated them. If there is still some hardship, let us see after a month or two. We can always calibrate the rates. I am here. I am not unresponsive. We have responded. It has come into force only on 4th September. Today we are on the 9th of September. Let it work a month or two and let us see what is happening.

Regarding Mr. John's question about the Customs duty, yes, there is, perhaps, some collusion. What he points out is, "You first suggest a particular classification and then you change it and then you charge". That will be taken care of. If the rate of Excise Duty is levied by the Customs Officer on the bill of entry that has been filed and he corrects either the classification or the date later, surely in such a case we will not apply penal interest rate or the penalty. I will take care of it by suitable instructions.

I am very grateful to the hon. Members for the valuable debate that we had. I have benefited greatly. I have tried to address their concern. I will be responsive. My duty is first to the CMP and I will carry the CMP through. To the extent possible I will be responsive to the concern expressed by the people and the people's representatives. On tax matters I can only assure them that to the extent possible I have accommodated the suggestions made by the hon. Members.

But to the extent it is not possible we will have to wait for another Budget. Thank you.

DISCUSSION ON THE WORKING OF THE MINISTRY OF POWER

THE VICE-CHAIRMAN (SHRI MD. SALIM): Now we will take up the discussion on the working of the Ministry of Power. Shri S.B. Chavan is to initiate the discussion.

THE MINISTER OF STATE IN THE MINISTRY OF POWER (DR. S. VENUGOPALACHARI): Sir, I have a request to make. After 6 o'clock I will ask one of my colleagues to take notes. After 6 o'clock I have some business in the Lok Sabha. I will ask one of my colleagues to take notes.

THE VICE-CHAIRMAN (SHRI MD. SALIM): You have to be there. One of the Ministers will take notes. ...*(Interruptions)*...अब एक तो है प्रधान मंत्री जी ने चेयरमैन साहब को इत्तेला दी है कि वह नहीं रह पायेंगे क्योंकि वह लखनऊ जा रहे हैं, लेकिन उनके मंत्री रहेंगे यहां रिपोर्ट देंगे।...**(व्यवधान)**... ठीक है।...**(व्यवधान)**...

श्री सतीश अग्रवाल: पॉवर मिनिस्टर कौन है?...**(व्यवधान)**...

उपसभाध्यक्ष (श्री मोहम्मद सलीम): वेणुगोपालाचारी जी। ...**(व्यवधान)**... वही वह कह रहे हैं...**(व्यवधान)**... वह यही बात कह रहे हैं कि उस सदन में भी बिज़नैस है इसलिए दूसरे मंत्री उस वक्त नोट लेंगे।...**(व्यवधान)**... अभी 6 बजे तक तो वह यहीं हैं।...**(व्यवधान)**...

SHRI SATISH AGARWAL (Rajasthan): We will discuss it up to 6 o'clock. We have a meeting at 6 o'clock.

उपसभाध्यक्ष (श्री मोहम्मद सलीम): चव्हाण जी को बोलने दीजिए। आजकल वह बहुत कम बोलते हैं।

श्री सतीश अग्रवाल: और अच्छा बोलने वाले हैं, ऐसा सुना है।

SHRI S.B. CHAVAN (Maharashtra): Mr. Vice-Chairman, Sir, I must express my gratitude to the hon. Chiarman for allowing a discussion in Rajya Sabha on the working of at least two Ministries. The discussion on the Power Ministry has been taken up first. We would like to know as to how the whole thing has worked for the last five years because this happens to be the last year of the Eighth Five Year Plan. It becomes absolutely necessary to find out as to how we have been able to perform and achieve the target that was set in the beginning of the Eighth Five Year Plan. I was under the impression that the Mid Term Review must have been taken by the Government and they would come before the House in order to apprise all of us how they have applied the correctives. While looking at the figures I was really surprised with the kind of economy that Mr. Chidambaram was talking about. A very essential infrastructural input happens to be power. So far as irrigation is concerned, he himself has said that the rate of growth has come down to point nine per cent. Now if the achievement in the power sector comes down so considerably, then, of course, it is a cause for anxiety. When we frame the Ninth Five Year Plan, I would expect from the Government to come forward with the kind of correctives that they have applied in order to see that similar kind of slippages don't occur and we are able to achieve what we have decided for ourselves. According to this survey, they anticipated [THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) *in the Chair]* that a minimum of 48,000 megawatts will be able to meet the requirement of domestic, agricultural and industrial sectors and the kind of rate of growth of economy which the Government is talking about. If this very important infrastructural input is not there, I am sure, there will be a different atmosophere altogether. You will be committing the greatest blunder by not providing enough power to essential sectors.

Mr. Vice-Chairman, Sir, I have some figures with me. The Survey indicated the